Q&A from November 2017 Faculty/Staff Meetings

As we seek to fulfill our mission, we place a high value on our faculty, staff and students. From the faculty and staff viewpoint, we desire to create a community that celebrates their accomplishments while providing engaging and fulfilling work that allows them to see the difference they're making. From the students' standpoint, we value the tremendous journey of growth they experience as individuals. But we're also committed to providing that experience in an environment that's affordable. Approaching the decisions we have to make often creates some tension between those two very important groups -- faculty and staff -- and students.

Faculty/Staff Reductions:
Can you tell us more about the process of making reductions and who's been involved? Was there faculty representation?

- Each area of the campus is different. Division/Department heads worked together to explore the least disruptive options. Deans, department chairs, and Faculty Senate leadership were all highly involved in the process.
- Each area of potential reduction was considered in prioritization to all other areas, as well as in alignment with our strategic plan.
- Where appropriate, higher education benchmarks and expert consultancy was leveraged in working through decisions.

How does ACU's student to faculty ratio compare to our peer institutions, aspirational peers, or national averages?

- ACU has averaged a 16:1 student faculty ratio over the past 20 years and has more recently moved to a 14:1 ratio with the decline in Abilene campus enrollment and slight addition in the number of full-time faculty. The average student to faculty ratio across all public and private institutions is 18:1. Private universities typically range from 12:1 to 17:1. The ratios for large public universities typically range from 18:1 to 22:1. SMU, TCU, and Baylor are 12:1, 13:1, and 15:1 respectively. UT Austin, Texas Tech, and Texas A&M are 18:1, 21:1, and 21:1 respectively.

We were told numbers for faculty and staff cuts. How many administrative positions are being eliminated, and what percentage of operating budget does it represent relative to the faculty and staff budget reductions? We've discussed cuts to faculty and staff, but what about administration? It seems disingenuous to lump administrators in with all staff.

- Since FY14 to date, the university has reduced $11M in salaries and benefits from our operating budget. The next phase of work will total $7.4M for a grand total of $18.4M in budget adjustments.
- Within these positions, the university has reduced nine administrators -- vice presidents and direct reports to vice presidents -- totaling $1.4M.
- In other words, 7.6% of our total faculty and staff cuts have been at the administrative level (as defined above).

Similar layoffs were made five or six years ago. The goal at that time was for things to change to solve the problems. Now we're making more layoffs. Should we assume this will be a common decision every five years or is something changing to ensure human capital isn't affected in the future?

- Unfortunately, no action we take will ensure ACU won't have to make changes in the future. We simply cannot control the higher education market or landscape. Competitive pressures, changing demographics, and adverse social and legal environments represent just of few of the external factors that can create internal challenges. We have worked diligently to protect our faculty and staff, but since approximately 60% of our expenses are personnel related, staffing reductions are a necessary part of reducing our overall expenses.
- As long as our expense growth outpaces our net revenue growth, we will need to consider reductions of force, because costs associated with personnel grow at the highest rates.
- Furthermore, we also will consider reductions as part of a disciplined "invest and divest" process to keep ourselves aligned with our strategic plan.
- This current work gives us time over the short term to grow additional revenue so that net revenue can outpace the expense growth once again.

Will the reductions be done in a way that protects our gains in racial diversity?

- Yes, we believe so. This is a fluid process, but increasing the diversity of our faculty and staff is a strategic goal and we need to continue to make progress on this front.

Which departments have been chosen for cuts? How were these departments targeted, and who was involved in the discussions and final decisions?

- Departments in each academic college were selected for position reduction based upon faculty to student ratio change over time, accreditation requirements, and extenuating circumstances that might warrant lower student to faculty ratios. Final decisions were made by the provost and academic deans with input from the SLT and Faculty Senate representatives.

Do administrative assistants of academic departments lose their jobs?

- We are considering all positions for reduction of staffing, and we will look for ways to create efficiencies in all positions considered.
- The administrative assistant role is a unique and necessary function employed across campus, for which the university spends $2.5M to $3.0M annually.
- Given that the function is deeply embedded in daily activity of the university, the reduction of administrative assistants requires much greater detailed analysis by university leadership.
- The university is utilizing a higher education specialist who is working directly with deans, chairs, department heads, and the assistants themselves to fully understand the work performed **<u>before</u>** final decisions will be made. This process began early Spring 2017 and will continue until late Spring 2018.

Once all of the cuts have been finalized and everyone affected has been notified, will there be some sort of master list we can have access to so those remaining can make adjustments for however that might affect our specific department/unit?

- We don't intend to publish a "master list" of reductions, but we will update the org chart once changes are completed.

Have you considered making personnel decisions based on merit and letting go of under performers? This can be done every year even when it isn't driven by the budget.

- Yes. This practice is a longer term goal of the staff class and compensation initiatives being conducted by University Human Resources.

If all of the faculty cuts cannot be made through early retirement, when will the rest of these cuts be finalized? When will all the job cuts be finalized? When will we know that the job cuts are done?

- Faculty reductions will be finalized as soon as possible, but at the latest, before contract renewal letters are distributed at the beginning of February.
- All other reductions will be finalized at various dates no later than the end of the current fiscal year (May 31, 2018). Additionally, reductions affected through outsourcing will not be determined until a final vendor is selected through a thorough bid process.

Budget:

What was the total budget for FY13 and FY18?

- **Cash operating budgets** are as follows:
    - FY13 = $0 (balanced); Total Net Revenue and Total Expense $99M
    - FY18 = $(6.9M) deficit budgeted; Total Net Revenue $124.5M and Total Expense $131.4M

Since our budget is partially based on FTE of new students and in light of market competition, will our current goal of 980 new students be reduced?

- There is a delicate balance in setting the freshmen goal in the budget. If we reduce the goal below 980, we also would need to eliminate additional positions. In the past five years, our freshmen class sizes have been 1,026, 974, 1,071, 1,047 and 971. After reviewing the other assumptions in our budget model, we chose to keep the freshmen number at 980. We will review this assumption for future years as we get closer to the start of the 2018-19 academic year.

Why don't we have building-specific endowments to cover (or at least offset) building operational costs?

- Approximately 10 years ago, the Board of Trustees implemented a policy requiring a renovation endowment for newly-constructed facilities. Therefore, buildings that were constructed in the last ten years have such an endowment; those constructed prior to that time do not.
- The endowments are intended to cover major renovations every 20 years and a full replacement in 100 years.

Will there be a hiring freeze after the cuts are made to maintain the budget savings?

- While we don't intend to implement a "hiring freeze" per se, all new positions will be reviewed and approved by the SLT before job offers can be made.

How has the budget been able to absorb the hiring of new academic advisors over the last two years and the retention of past academic advisors/current administrative coordinators?

- Prior to centralized advising, the five-year average retention rate was 75.2%. The financial model required a 76.4% first year retention rate to break-even. The actual retention rate for the past fall was 76.5%. Therefore, the increase in retention was sufficient to fund the cost of the hiring of the new advisors.
- We realize the move to centralized advising changed the nature of the roles and workload for many who were previously providing such advising. Accordingly, we continue to evaluate the administrative workload across all departments and consider ways to distribute that work most effectively and efficiently. In some cases, such evaluation may lead to the combination or elimination of certain administrative roles.

How does the money spent on the property in Germany fit with our current financial situation?

- Purchase of the Leipzig Villa supports our strategic emphasis on Experiential Learning, providing increased opportunities for students to participate in cross-cultural experiences. We've been conducting a study abroad program in Leipzig for over 10 years, using rental apartments to house our students and faculty. The investment in the villa converts the housing situation from rental to ownership and has little impact on the operating budget while expanding opportunities for students and faculty.
- The villa was purchased with proceeds from debt that was approved by the Board of Trustees. Additional revenue from Leipzig program fees are projected to cover the operations of that building including the debt service.

Employee Benefits:

Does this plan impact other benefits such as retirement or the ACS discount?

- At this time reductions to benefits are not planned. However, the Benefits Committee (which includes faculty and staff representation) works on an ongoing basis to evaluate and monitor the university's goal to maintain a cost of benefits equal to 30% of total salaries. In order to maintain this ratio, ongoing changes are likely.

Will there be severance packages available for the staff that leave?

- In most cases, when we eliminate staff positions, severance packages are offered. In certain cases, when the employee is given significant advance notice (i.e. 6-12 months) severance packages may be reduced or eliminated.

Academics:

Do you feel the required number of Bible classes for every student are costing us enrollments? The last time I checked, about 1/9th of their total tuition is going to Bible courses that will likely not transfer in or out...and these are courses that would not be required at competitor schools.

- ACU is a Christian university committed to infusing the study of biblical principles into all that we do and teach. Doing so necessarily requires some level of biblical literacy among our students. While we should continually evaluate our effectiveness in achieving that goal, there are no plans to eliminate or reduce the required number of Bible courses.

Is there any conversation about the value of our CORE curriculum (Cornerstone, etc.) in light of faculty reduction? Do we think the same way about CORE as we do Bible courses (is it foundational to who we are)? Do we believe that the content of CORE classes is worth the cost, rather than pushing those funds back into academic departments in which students are majoring?

- Two years ago the faculty participated in a conversation that examined the value of the CORE curriculum and changes that might be advisable based on cost and student demand. Through a full faculty vote we decided to reduce the CORE class requirements, change the general education requirement related to CORE, and teach out two of the required CORE courses. These changes have been fully implemented and new ideas or thoughts about other changes to the General Education requirement can be examined through the same process.

What happens to the quality when the older, more experienced faculty are removed?

- Each departmental reduction will be weighed in relation to faculty composition including content expertise and experience. Careful consideration will be given to the presence of senior faculty leadership and the necessity of a balanced departmental life cycle of early career and senior faculty members.

Have you considered dropping the tenure system?

- No, we have not given serious consideration to dropping the tenure system. It is an effective and useful tool for the recruitment, retention, and advancement of quality faculty members. There are no plans to move away from a tenure system. There is active discussion regarding the desired/most appropriate level of tenure across the university which includes evaluating the number of tenure and tenure-track positions in each department and the best way to establish appropriate expectations and guidelines.

How is student to faculty ratio calculated, giving all factors and weighting used?

- The university follows the Integrated Postsecondary Education Data System (IPEDS) formula that is the standard for colleges and universities.

What is the "Plan B" if/when not enough faculty accept the voluntary retirement offers? What is the plan if not enough faculty members choose to voluntarily retire? Which faculty will be affected if those who are offered early retirement packages do not take them?

- The majority of the position reductions should come as a result of the voluntary retirement incentives. Remaining position reductions would come through a combination of natural voluntary separation from the university and the elimination of non-tenured faculty lines. Every effort is being made to keep this number to a minimum.

Wildcat Stadium:

Was the $10 million dollar debt ever serviced out of the operating budget? Do these budget numbers reflect the fact that debt service for the stadium has impacted the operating budget?

- Debt service on the stadium debt is being held outside the operating budget and being paid for with pledge payments on stadium gifts as they come in. Any amount of debt service above the amount being paid for with pledge payments is added to the cost for the construction of the stadium -- which is intended to be paid for with future gifts not yet received.

Athletics:

Do the daily operating costs of the stadium go against the university budget? What are the operational costs of the new stadium, and how much of that cost is falling to academics?

- For all facilities, "overhead" costs such as utilities, insurance, custodial and routine maintenance are budgeted at the administrative level and not by the department(s) occupying the facility. Such is true for the stadium as well as the Halbert-Walling Research Center, the Onstead Science Center and the Physics/Engineering Labs at Bennett Gymnasium. Costs for the "programming" activities that take place in those facilities are paid for by the related departments. In the case of the new stadium, Athletics is responsible for all costs for game day and other activities occurring in the facility.
- Game day costs approximate $12,000 per game and are paid for by Athletics. (These costs include additional security by ACU PD, facilities and IT costs.)
- There are **no** operating costs related to the stadium allocated to academics.

We more than doubled the number of football scholarships. How does that reconcile with no increase in percentage of budget for athletics?

- From FY13 to FY17, we increased spending on football scholarships from 36 equivalencies to 57. During that same timeframe, scholarships and other expenses across the university increased as well. In FY13, 14.3% of total scholarships were spent on student athletes. In FY17, 15.2% of total scholarships were spent on student athletes. Therefore, while there has been an increase in the total amount of athletic scholarships, the relative amount of athletic scholarships to the total university budget has remained stable.

Has the move to Division I caused our spending on athletics to increase as a percentage of the total budget?

Charts below reflect total athletic spending over the past 5 years---with and without scholarships---as well as the percentage of the total ACU budget such spending represents.

	Expense ($M)				
	FY_2013	FY_2014	FY_2015	FY_2016	FY_2017
Total Athletic Expense w/out Scholarship	$ 3.39	$ 3.49	$ 4.63	$ 4.44	$ 5.11
Total Athletic Expenses with scholarships	$ 7.59	$ 8.32	$ 10.18	$ 10.18	$ 11.09
Total University Expenses	$ 125.96	$ 137.21	$ 146.49	$ 159.50	$ 172.96
	Percentages				
Athletic expense (excl sch) to Total Operating Expenses	2.7%	2.5%	3.2%	2.8%	3.0%
Athletic expense (with sch) to Total Operating Expenses	6.0%	6.1%	6.9%	6.4%	6.4%

With the additional cost of going d1 wouldn't going back to d2 solve a lot of financial issues

- In the last three years, the number of student-athletes has increased from 330 to 400, in large part due to the fact that high school students want to be Division I athletes. Many of these are non-scholarship or partial scholarship student-athletes who pay tuition. If we go back to Division II, we could lose a large number of those students. In addition, the amount of donations to Athletics since the Division I transition has increased by hundreds of thousands of dollars annually, and we would likely lose that money by going back to Division II. Our donors are excited to have ACU in D-I, and our fundraising would suffer tremendously if we retreated at this point.

How does being classified as Division I status contribute to the overall mission of ACU?

- Division I Athletics brings greater alignment between our overall university academic aspirations and that of our student athletes. Academic requirements at the Division II level were nearly non-existent and resulted in a major gap between the academic profile of our student athletes and the broader student body. Specifically, the Lone Star Conference (our previous DII affiliation) ranked 22nd out of 23 conferences nationwide in academic achievement. ACU was always first in the conference academically. As a result of our move to DI, we've seen the gap in academic profile between student athletes and the broader student body reduced.
- Division I athletics also helps to promote ACU on a regional level by allowing us to compete against major universities which our prospective students often consider for enrollment like Baylor, TCU, Texas A&M and Texas Tech. This strengthens our peer association. Further, our ability to compete with major universities like Colorado State and Mississippi State in televised games allows ACU to become known and tell our story within these larger audiences. Such exposure will help us recruit more students, better engage our alumni, and solicit more donations. All of these things will help us better achieve ACU's mission of educating students for Christian service and leadership throughout the world.

What dues did we pay to the Southland conference to join the conference?

- We paid a $100,000 application fee to join the Southland Conference when we became members in 2013. In addition, we pay $42,000 per year to the conference office in annual dues.
- Also, we paid a $1.5 million application fee to the NCAA at the time of transition. This fee was funded by donors.

You are getting a lot of questions about athletics. That speaks to campus-wide concerns. Do you think that athletics is given a real or perceived misplaced priority on campus?

- Among colleges and universities that sponsor athletic programs, it seems commonplace for campus-wide concerns to exist regarding the real or perceived priority of athletics vis-a-vis academics. ACU is certainly not unique in this regard. Our task, therefore, is to engage in more conversation leading to greater understanding and clarity, so that sound decisions can be made and well understood regarding the appropriate role for athletics at ACU.

Enrollment/Recruiting:

I didn't hear about aggressive investment in student recruiting. Are we resigning ourselves to lower enrollment or can we do more?

- We're committed to continue taking steps to increase the size and improve the quality of the freshmen class. In our most recent five-year history, we have averaged a freshman class of 1,018. In the five years before that, we averaged 952. In the Southwest and Rocky Mountain regions, ACU has the sixth largest freshman class among private, nonprofit institutions.
- Below are some steps we've taken in the past few years to strengthen our efforts:
    - expanded our marketing and recruiting outreach by more than 50%
    - increased the number of applications received by 15%

  - expanded our investments in social media, display advertising, and re-targeting
  - implemented advanced statistical modeling techniques (econometric modeling for financial aid and machine learning models for marketing and recruiting) to help us make better decisions on where to spend our time and resources
- For this current recruiting cycle, we have made investments in:
  - programmatic recruiting to leverage our investment in the sciences
  - pre-senior marketing and recruiting to ensure stronger student interest and pipelines for the classes of 2019, 2020 and 2021
  - financial aid systems, communications and personnel to focus our message on the value of an ACU education and simplify the process for students
  - marketing to attract new student populations – including more out-of-state students as well as Catholic students

Advancement:
Is there any chance of creating a substantial fundraising campaign (similar to the one we did to get the football stadium) that is geared toward raising money strictly for academics/faculty/faculty research? Or do we already do that?

- The Advancement Division consistently looks for donors who are interested in supporting academics, primarily through academic operational endowments. These endowed chairs, professorships, fellowships, departmental and college endowments provide support for faculty, research and programs. We anticipate that our next campaign will emphasize these areas of need.

Has our dire budgetary state been made clear to donors by advancement? Would a targeted fundraising campaign for operating costs help us?

- We anticipate that our next campaign will be endowment centered. Operational endowments (supporting faculty, research and programs) and scholarship endowments (many of which offset unfunded discounts that directly affect the bottom line) provide stable income for operations that grows over time and will help sustain ACU into the future.

ACU Dallas:
What has been the impact of ACU Dallas on our budget? Are they providing net income for the university?

- The investment in ACU Dallas has not come from the operating budget and therefore has not impacted the operating budget.
- ACU Dallas has grown enrollment in online graduate programs significantly over the last two and a half years. Total student enrollment is now right at 1,000 students. These programs will produce gross revenue of over $12 million in FY18. The focus is to manage toward a healthy net margin year over year that contributes to the university's bottom line. The university's approach is to allow ACU Dallas to produce revenue in the current year in order to benefit the following year.

Are any cuts being made at ACU Dallas?

- ACU Dallas conducted a comprehensive analysis of its business model at the end of FY17. That analysis resulted in a number of adjustments that financially repositioned the

Dallas Campus in order to navigate toward profitability. At that time, a number of positioned were eliminated.
- ACU Dallas continues to evaluate its business model for greater efficiency in order to steward the university's investment in the Dallas Campus. Additional reductions in positions have taken place during FY18.

Outsourcing:
How many departments are being looked at for outsourcing?
- We have historically outsourced different functions across campus - custodial, dining, database management within IT, enrollment analytics, and marketing. Most recently we have outsourced the campus bookstore both on campus and online.
- Current areas under consideration for outsourcing include broader IT services, landscape and grounds, and facilities management and construction. We are also re-bidding dining services and custodial to ensure we are maximizing cost efficiencies.
- Going forward, any other services that could provide cost efficiencies through outsourcing will be considered, including HR, Payroll, and Accounting Finance.

With outsourcing, do you believe vendors will give the same level of care to the students and university that is currently being done? Especially the spiritual and personal connection with them.
- In many cases, vendors will hire the employees that currently serve our campus and our students, and in some cases that is a condition of the contract. We do not anticipate any less service or care to our student population as a result of outsourcing.
- Whether working directly for ACU or through contracted vendors, employees have been attracted to our mission. We believe this will continue to be the case.

Miscellaneous:
Has ACU ever thought about publicizing salaries similar to other institutions for purposes of transparency?
- Salaries for administrators and other highly-compensated employees are reported annually in ACU's IRS Form 990, which is published on ACU's website. There are no plans to publish salaries of other employees.
- Compensation comparisons for positions and roles across the university (using data from national organizations like CUPA-HR) are compiled and reviewed annually.

When will the Allen Ridge project break ground? How will this impact the campus?
- Actual groundbreaking dates for Allen Ridge are uncertain at this point. There are a number of questions yet to be answered regarding the timing and financial viability of this initiative. As more information is collected, additional details will be shared with the campus.
- The ability to develop Allen Ridge as conceived would significantly enhance the aesthetic appeal of our campus and potentially provide a long-term revenue source to ACU.
- ACU's investment in the Allen Ridge development would be funded by the endowment.